

# *The* APPRAISER *Bulletin*



VOLUME 10 NO. 1 A Publication of the Alabama Real Estate Appraisers Board

WINTER 2006

## NEW EXECUTIVE DIRECTOR APPOINTED



New Executive Director Appointed: Lisa Brooks, pictured here, has been selected by the Board to be the fourth Executive Director of the Alabama Real Estate Appraisers Board. Mrs. Brooks has worked for the Real Estate Appraisers Board for 10 years as the Executive Secretary/Executive Assistant and has been a State Employee for 20 years. She is married to Jeff Brooks and they live in Tallassee, Alabama with their three children.

## BOARD NAMES NEW INVESTIGATOR

D.J. (Joe) Dixon has been hired as a Staff Investigator by the Alabama Real Estate Appraisers Board. Joe has been an active Certified General Real Property Appraiser since 1991. While in school Joe worked for his father at Dixon Construction. In later years he served as President of Dixon & Co., Inc. which was a real estate, appraisal and auction company. If you need to contact Joe please e-mail him at [dj.dixon@reab.alabama.gov](mailto:dj.dixon@reab.alabama.gov).



## USPAP EFFECTIVE DATE CYCLES ARE CHANGING

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The 2005 Edition of USPAP will remain effective until June 30, 2006. The 2006 Edition of USPAP will be effective from July 1, 2006 – December 31, 2007. Future USPAP editions will be on a two-year effective date.

## NEW BOARD OFFICERS ELECTED

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Mr. James (Jim) E. Davis, 1st Congressional District, has been elected to serve as Chairman of the Real Estate Appraisers Board. He replaces Mr. Mandell Tillman, 4th Congressional District who has served as Chairman since June 2003. Mr. Davis has been a member of the Real Estate Appraisers Board since July 2003. Mr. Davis owns and operates an appraisal business in Mobile, Alabama.

Mr. Jon (Brett) B. Blissitte, 2nd Congressional District, has been elected to serve as Vice-Chairman, replacing Mr. Davis. Mr. Blissitte has been a member of the Real Estate Appraisers Board since May 2003. Mr. Blissitte owns and operates an appraisal business in Montgomery, Alabama.

## PROPOSED TRAINEE/MENTOR CHANGES ADOPTED

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At their January 20, 2006 Board meeting the Board voted to adopt the proposed changes to Administrative Rule 780-X-9 (Trainee/Mentor Policy). The effective date of this rule is August 1, 2006. All appraisers must come into compliance by this effective date. For full text of this rule please visit our website at [www.reab.state.al.us](http://www.reab.state.al.us) under Latest News. Please call our Board office at (334) 242-8747 with any questions.

### **RETAINING EDUCATION RECORDS**

**ALL** appraisers are required to retain copies of the appraisal courses they have completed through the years. Recently we have received numerous requests from appraisers for copies of their education. The Board does retain copies of appraisal education courses submitted by licensees, however, due to staff shortages it would be greatly appreciated if all licensees would make a better effort to keep copies of their education. If you find you must have copies of your education please request these copies in writing and you will be assessed a duplication fee of \$1 per page.

## 2008 EDUCATION CRITERIA CHANGES

As most of you already know on February 20, 2004 the Appraiser Qualifications Board of the Appraisal Foundation formally adopted changes to the ***Real Property Appraiser Qualification Criteria*** that will become effective on January 1, 2008. These changes represent the minimum national requirements that each state must implement for individuals applying for a real estate appraiser license or certification as of January 1, 2008. The changes include increased required education, which is summarized as follows:

Category	Current Requirements <sup>1</sup>	1/1/08 Requirements <sup>1,2</sup>	1/1/08 College-Level Course Requirements <sup>3</sup>
Licensed	90 hours	150 hours	None
Certified Residential	120 hours	200 hours	<b>Twenty-one (21)</b> semester credit hours covering the following subject matter courses: English Composition; Principles of Economics (Micro or Macro); Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers-Word Processing/Spreadsheets; and Business or Real Estate Law. <b>In lieu of the required courses, an Associate degree will qualify.</b>
Certified General	180 hours	300 hours	<b>Thirty (30)</b> semester credit hours covering the following subject matter course; English Composition; Micro Economics; Macro Economics; Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers-Word Processing/Spreadsheets; Business or Real Estate Law; and two (2) elective courses in accounting, geography; ag-economics; business management; or real estate. <b>In lieu of the required courses, a Bachelors degree will qualify</b>

<sup>1</sup> Hours required include completion of the 15-hour National USPAP Course (or its equivalent).

<sup>2</sup> Hours required include specific coverage of multiple topics – please see the *Real Property Appraiser Qualification criteria* for details.

<sup>3</sup> College-level courses and degrees must be obtained from an accredited college or university.

### Source: The Appraisal Foundation

The full text of the new education criteria can be accessed on the Foundation website at [www.appraisalfoundation.org](http://www.appraisalfoundation.org)

No changes are involved in the education for the ***Trainee Real Property Appraiser*** classification or the Alabama classification of ***State Registered Real Property Appraiser***.

After many months of thought and discussion the Alabama Real Estate Appraisers Board voted at the September 23, 2005 Board meeting to adopt a variation of the AQB Segmented scenario. Applicants whose education and experience meet the current criteria may apply for a license through December 31, 2007. Applicants whose education and experience do not meet the current criteria as of January 1, 2008 must satisfy the education and experience requirements set out in the 2008 appraiser criteria. This is more flexible than the Firm Date scenario but less flexible than the AQB Segmented scenario. This manner of implementing the new criteria integrates the current Alabama application process more efficiently. **Therefore, the official position of the Board is adoption of the Segmented Scenario.**

Please also note a new license examination developed by The Appraisal Foundation will replace the examinations currently in use by Alabama. The new examination will be designed to test the knowledge of candidates who have met the education criteria in effect on January 1, 2008. **It will be the responsibility of the candidate to assure that he or she has adequate education to successfully complete the examination.**

For additional information on the required core curriculum effective January 1, 2008 visit [www.appraisalfoundation.org](http://www.appraisalfoundation.org).

## Appraiser Qualifications Board



### National Uniform Exam Content Outlines (effective 1/1/08)

Domain	Lic. App	Cert. Res	Cert. Gen
I. Influences on RE Value	5%	5%	5%
II. Legal Considerations	5%	5%	4%
III. Types of Value	5%	5%	6%
IV. Economic Principles	5%	5%	6%
V. Real Estate Markets & Analysis	4%	4%	5%
VI. Property Description	11%	11%	10%
VII. Highest and Best Use Analysis	9%	9%	9%
VIII. Appraisal Math and Statistics*	3%	3%	4%
IX. Sales Comp Approach	15%	15%	10%
X. Site Value	5%	5%	4%
XI. Cost Approach	9%	9%	6%
XII. Income Approach	7%	7%	15%
XIII. Valuation of Partial Interest	1%	1%	1%
XIV. Appraisal Standards and Ethics	16%	16%	15%

\* For the Licensed Real Property Appraiser Classification, *The Real Property Appraiser Qualification Criteria* refers to this domain as Appraiser Statistical Concepts.

# DISCIPLINARY REPORT

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The Alabama Law requires the Board to regulate the conduct of appraisers in Alabama. The Board's Administrative Rules outline the procedure for handling complaints. The Uniform Standards of Professional Appraisal Practice provide the basic ethical standards for which appraisers must comply. Appraisers should carefully note the following violations, which resulted in disciplinary action by the Board.

**AB-05-04** – On July 15, 2005 the Board issued a private reprimand to a Certified Residential Appraiser. Licensee signed a Consent Settlement Order and agreed to pay a \$700 administrative fine and complete a 7-hour ANSI course, a 16-hour Income Approach course, a 16-hour Sales Comparison Approach course and a 15-hour USPAP course and pass the examination. Violations included: Licensee prepared an appraisal report that was misleading. Commercial land use within the neighborhood was not reported; comparable sales from dissimilar neighborhoods, a mile or more from the subject were used when comparable sales were available within the immediate neighborhood; recognized appraisal methods and techniques to develop the income approach were not used; the selling price of owner occupied properties and an estimated rent from an outdated rental study for the municipality were used to develop a GRM; Licensee omitted reference to deferred maintenance. The appraisal order requests to appraise the property “as is” without a cost to cure adjustment.

**AB-05-05** – On July 15, 2005 the Board issued a private reprimand to a Trainee Appraiser. Licensee signed a Consent Settlement Order and agreed to pay a \$700 administrative fine and complete a 7-hour ANSI course, a 16-hour Income Approach course, a 16-hour Sales Comparison Approach course and a 15-hour USPAP course and pass the examination. Violations included: Licensee prepared an appraisal report that was misleading. Commercial land use within the neighborhood was not reported; comparable sales from dissimilar neighborhoods, a mile or more from the subject were used when comparable sales were available within the immediate neighborhood; recognized appraisal methods and techniques to develop the income approach were not used; the selling price of owner occupied properties and an estimated rent from

an outdated rental study for the municipality were used to develop a GRM; Licensee omitted reference to deferred maintenance. The appraisal order requests to appraise the property “as is” without a cost of cure adjustment.

**AB-05-09** – On July 15, 2005, the Board issued a private reprimand to a Certified Residential Appraiser. Licensee signed a Consent Settlement Order and agreed to pay a \$900 administrative fine. Licensee agreed to complete 36-hours continuing education courses in Measurement and Drawing Complex Home and Appraisal of Unusual High Value Residential Properties. Violations included: Comparables used in the report were custom built homes (not arms-length transactions). The appraisal sent to the Board was not identical to the copy delivered to the Mortgage Company; the location was changed from rural to suburban; the distance from subject to comparables was different; site descriptions comparables were changed. GLA was not computed by the ANSI standard of measurement and the builder's estimate of square footage was used in the report. Value opinion was reported “as is” and developed “subject to completion per plans and specification”. Construction was not complete on the date of appraisal.

**AB-99-27, AB-00-77, AB-03-88, AB-04-38, AB-05-15** – On September 23, 2005 the Board issued a private reprimand to a Certified General Appraiser. Licensee signed a Consent Settlement Order and agreed to pay a \$1,500 administrative fine, immediately reduce the number of Trainee appraisers supervised to two and agreed to be fully compliant with the new Mentor/Trainee rules. Violations in all four cases were failure to directly supervise Trainee appraisers.

**AB-05-02** – On September 23, 2005 the Board issued a private reprimand to a Certified Residential Appraiser. Licensee signed a Consent Settlement Order and agreed to pay an \$850 administrative fine and complete a 21-hour Manufactured Housing Appraisal course and a 7-hour URAR course. Violations included: Licensee reported an appraisal of a manufactured home “as is” prior to the home being moved to the property. The report should have been subject to installation, which converts the home from personal property to real property. The photograph of the subject used in the report made it

# DISCIPLINARY REPORT

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appear that the home was situated on the property. Licensee did not respond to the Board's request for the appraisal report in a timely manner.

**AB-05-03** – On September 23, 2005 the Board issued a private reprimand to a Trainee Appraiser. Licensee signed a Consent Settlement Order and agreed to pay an \$850 administrative fine and complete a 21-hour Manufactured Housing Appraisal course and a 7-hour URAR course. Violations included: Licensee reported an appraisal of a manufactured home "as is" prior to the home being moved to the property. The report should have been subject to installation, which converts the home from personal property to real property. The photograph of the subject used in the report made it appear that the home was situated on the property. Licensee did not respond to the Board's request for the appraisal report in a timely manner.

**AB-05-45** – On September 23, 2005 the Board issued a public reprimand to **Edgar Ash, (R00521)** a Certified Residential Appraiser. Licensee signed a Consent Settlement Order and agreed to pay a \$500 administrative fine. Licensee appraised a conservation easement where the transaction value was \$482,000.00, outside the scope of a Certified Residential license.

**AB-04-25** – On November 18, 2005 the Board issued a private reprimand to a Certified Residential Appraiser. Licensee signed a Consent Settlement Order and agreed to pay a \$750 administrative fine and to complete 30-hours of appraisal education related to the Sales Comparison Approach. Violations included: Report was incorrectly labeled as Limited and the Departure Rule was not invoked; the correct state certification was not contained in the body of the appraisal report; in the sales comparison approach, Licensee used sales to the exclusion of other sales located in the same market area as the subject which may yield a more reliable value. There was nothing in the work file to indicate Licensee considered these sales and why they were not used.

**AB-03-53, AB-03-96, AB-04-80** – On November 18, 2005 the Board suspended the license of **Darrell S. Willeford, (T01083)** Trainee Appraiser for three months beginning on December 1, 2005. Licensee signed a Consent Settlement Order and agreed to pay an

administrative fine of \$1,675 and take a 15-hour USPAP course with exam. Licensee will be on probation for 9 months after his license is reinstated. Violations for AB-03-53 & AB-03-96 include: In two commercial appraisals, Licensee falsely certified that he performed an exterior inspection of all the comparables in the report; made false statements in the report to support the final estimated value which resulted in a misleading report; failed to exercise reasonable diligence in developing the appraisal; failed to assure that data which would have a material or significant effect on his opinions or conclusions was identified and analyzed; accepted data provided by the seller/owner of the subject property without verifying the data or confirming it. In the Sales Comparison Approach, Licensee failed to use accepted method in making adjustments to the comparable sales; adjustments revealed a bias towards the subject property to inflate the final estimated value. There was no basis for the 3% increase for time differences. The Income Approach was not developed correctly and was misleading and unreliable: Licensee placed the most weight for value on the Income Approach and then added \$18,000 to that value. Licensee reported that the appraisal was "subject to" with all deferred maintenance and repairs included in the estimated value but developed the report "as is". Licensee failed to perform the subject assignment with impartiality, objectivity, and independence and accepted an assignment that had a predetermined value. Licensee's final value was \$20,000 higher than the contract sale price using methods to develop all three approaches to value that is not accepted appraisal methods for the assignment. Licensee failed to disclose his lack of knowledge and/or experience to the client before accepting the appraisal assignment and failed to take all steps necessary or appropriate to complete the subject appraisal assignment competently. Violations for AB-04-80 include: An appraisal of a residential property, Licensee falsely certified that the subject was 100% complete when it was no more than 60% complete and then falsely certified that the subject was 85-90% complete when it still was no more than 60% complete.

**AB-04-28, AB-04-29, AB-04-68** – On November 18, 2005 the Board issued a private reprimand to a Certified Residential Appraiser. Licensee signed a Consent Settlement Order and agreed to pay a \$3,000



# DISCIPLINARY REPORT

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administrative fine and take a 30-hour Residential Sales Comparison Analysis course. Violations for AB-04-28 & AB-04-29 included: Licensee incorrectly labeled the report a Limited Report and the Departure Rule was not invoked. Licensee failed to include the correct state certification statement in the body of the appraisal report. The intended use of the appraisal was not stated in the report. Licensee failed to provide descriptive narrative in support of the difference between the actual age and estimated age for the subject property. There was no explanation of the method used to estimate physical depreciation in the Cost Approach. In the Sales Comparison Approach, Licensee used sales to the exclusion of sales in the same market area as the subject property, which may yield a more reliable indication of value. There was nothing in the report or work file to indicate Licensee considered these sales and why they were not used. Licensee demonstrated a misunderstanding to complete the appraisal assignment by reporting that the appraisal was developed as a Limited Appraisal when the Departure Rule was not invoked. Violations for AB-04-68 included: Licensee did not disclose the reporting option for the appraisal.

**Letters of Warning** was issued on the following investigations for the discrepancies indicated. This disciplinary action will be considered in any future discipline proceedings.

**AB-03-56** – On July 25, 2005 to a Certified General Appraiser for a commercial appraisal where the Income Approach was not developed by accepted appraisal method, there was no Highest and Best Use analysis for the subject; the report failed to describe the extent of the process of collection, confirming, and reporting data and the extent of the process is not apparent content of the report, specific file information in support of the value conclusion was not referenced; the report failed to include a prominent use restriction that limits reliance on the subject appraisal report to the Client and warn that the report cannot be understood properly without additional information in the work-file.

**AB-04-44** – On July 25, 2005 to a Certified General Appraiser for a residential appraisal where Comparable #2 was presented as a residential comparable. At the

time of the sale it was zoned commercial and had a business sign in the front yard; the subject property was zoned residential; a true and correct copy of one of the reports prepared for this subject was not retained by Licensee.

**AB-04-93** – On July 25, 2005 to a Trainee Appraiser for a residential appraisal where Comparable #2 was presented as a residential comparable. At the time of the sale it was zoned commercial and had a business sign in the front yard; the subject property was zoned residential; a true and correct copy of one of the reports prepared for this subject was not retained by Licensee.

**AB-04-91** – On July 25, 2005 to a Certified Residential Appraiser for a residential appraisal where the following sales were omitted from the three year sales history for subject: 3/22/2002 Sales Price \$224,500; 9/24/2002 Sales Price \$222,000; 9/24/2004 Sales Price \$250,000 and 9/24/2004 Sales Price \$320,000.

**AB-04-92** – On July 25, 2005 to a Trainee Appraiser for a residential appraisal where the following sales were omitted from the three year sales history for subject: 3/22/2002 Sales Price \$224,500; 9/24/2002 Sales Price \$222,000; 9/24/2004 Sales Price \$250,000 and 9/24/2004 Sales Price \$320,000.

**AB-05-70** – On November 10, 2005 to a Certified Residential Appraiser for a residential appraisal where the basement area and a workshop were omitted from the appraisal and where appraiser failed to disclose the significant real property assistance of another appraiser who developed and prepared the report for Licensee's signature.

Disciplinary actions are based on all of the circumstances developed on a case-by-case basis, including the nature and severity of the offenses involved, prior disciplinary history and findings in support of a conclusion that the respondent has been rehabilitated. Violation descriptions may be summarized in instances where they would become repetitive. For these reasons cases may appear similar on their face yet warrant different sanctions.

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### **CHANGE OF ADDRESS FORM**

In accordance with the Code of Alabama, 1975, §34-27A-16, which requires **IMMEDIATE** written notification to the Board of changes in business and resident addresses, **PLEASE CHANGE MY ADDRESS TO:**

Business: (Preferred Mailing\_\_\_\_\_)

Home: (Preferred Mailing\_\_\_\_\_)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Signed: \_\_\_\_\_

License Number: \_\_\_\_\_

Date: \_\_\_\_\_